

May 22, 1998



To: AVP's  
AE's  
RSM's  
KAM's

In April, we began a massive effort to mobilize our customer-base to oppose new taxes on tobacco. As part of that effort, we sent a "Call to Action Packet" to our Top 200 Customers with the expectation that each of you would contact your respective accounts to insure they received the packet. In addition, we hope you helped them understand the seriousness of the situation as well as provided assistance in mobilizing their organization in opposition to the proposed tax increase. Our charge has been, and continues to be, to do everything we can to stop the McCain Bill or any increase in the Federal Excise Tax (FET) on cigarettes.

Our most recent concern is the attached letter sent to Senator McCain from the National Association of Convenience Stores (NACS) Government Relations Vice President Marc Katz. In the letter Mr. Katz indicates he obtained changes to the Senate Commerce Tobacco Bill that would:

- Prevent "adult only" outlets from having a competitive advantage with point-of-sale advertising and display.
- Prevent a ban on specific categories of outlets (e.g., Convenience Stores).

In reality, Senator McCain agreed to these changes as part of the FDA rules - not the statutory language of the bill. In other words, the FDA can change their mind at any time. It appears as though none of these changes will be made part of the law. In addition, the bill still contains a half a trillion dollar tax increase as well as provisions that will have a devastating effect on the retail industry. These changes are minor compared to the other significant requirements of the bill including licensing requirements and advertising restrictions. It is important that we contact our Top 50 customers and the NACS Board of Directors to reinforce our position on the proposed FET and as well as confirm the following:

- As a member of NACS, are you aware of the letter from Marc Katz and are you in agreement with the position he has stated (see attached)? If after reading they have not seen the letter, provide a copy.
- After reading the NACS letter, is the account in favor of NACS's position/McCain bill?

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- If not, would the account be willing to contact the president of NACS and/or the members of the Board of Directors (see attached) and express opposition to their support of the McCain bill?

Please see the attached sheet to record the accounts' responses and include any NACS Board Member responses. These sheets/calls need to be completed by May 27. When completed, please return the information to Wayne Tucker. In addition, there are attached retailer-related bullet point to assist you in reinforcing our position in opposition to McCain or other increases in the FET.

*Jim Maguire*

Attachments